



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB 0403	Title:	Require Department of Labor and Industry to administer medical marijuana act
Primary Sponsor:	Webb, Roger	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$217,507	\$74,593	\$75,966	\$77,106
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: The fiscal impact of this legislation comes from the costs involved in moving the medical marijuana program from the Department of Public Health and Human Services to the Department of Labor and Industry, to include budgetary authority, personnel to run the program, operating costs, equipment, and database administration and maintenance.

FISCAL ANALYSIS

Assumptions:

Department of Labor and Industry (DLI)

1. Department of Public Health and Human Services (DPHHS) currently administers the medical marijuana program with two full time state employees and two temporary workers from an outside agency. Inspections of provider locations have not been performed due to legal challenges to the law; however, recently a court ruling confirmed that inspections can take place as stated in statute. As of December 2014, there were 378 providers and it is assumed that each provider would be inspected annually and each inspection would take an average of one day. It is estimated inspections of all provider facilities will require 1.00 FTE.

2. The Department of Labor and Industry (DLI) would require at a minimum 2.00 FTE Licensing Technicians, a 0.25 FTE Program Specialist, and 1.00 FTE Compliance Specialist to perform inspections of provider locations. The total personal service costs for these FTE would be \$159,353.
3. Set up costs for additional employees to include office supplies, furniture and computers is \$10,000 OTO in FY 2016.
4. The expenditures related to the 8% cost allocation plan applied to personal services in each fiscal year will total \$12,748.
5. Estimated costs for an inspector to travel statewide to perform necessary inspections is estimated at \$6,700 for motor pool vehicle lease, overnight lodging, and meals. An inflationary factor of 1.5% has been added for subsequent years.
6. Direct operating expenses for the program based on information provided by DPHHS are \$25,000 in FY 2016 and have an inflationary projection of 1.5% per year. Operating expenses include: charges from Department of Administration (DOA) to produce laminated identification cards for program participants (\$7,000); postage (\$9,000); payment to Department of Justice for background checks of applicants (\$9,000). An inflationary factor of 1.5% has been added for subsequent years.
7. DLI would need to update Administrative Rules for the program to reflect the changes in transferring the program to another agency. It is estimated there would be a 15 page rule notice and five page adoption notice. The total cost for administrative rule filing would be \$1,000.
8. DLI would hold a public hearing for comment on the rule changes. The total estimated hearing costs would be \$440.
9. Legal services to assist in writing and reviewing rule changes and aid in the adoption preparation would be \$3,800.
10. It is assumed there would be a mailing to interested parties regarding rule changes. It is assumed there are at least 250 interested parties. The cost for the mailings would be \$250.
11. Total cost for rule changes in FY 2016 would be \$5,490.
12. DLI fixed and indirect costs are estimated at 30% of total expenses. Total applicable expenses in FY 2016 for Business Standards Division are \$199,843. Indirect costs include rent, office supplies, email services, reception services, administrative services, hotline administration, fiscal services, and overhead. Total indirect expenses are estimated in FY 2016 to be \$59,954 and in FY 2017 to be \$58,290. An inflationary factor of 1.5% is added to indirect costs in subsequent years.
13. DPHHS currently uses a laminating printer to produce cards for Medical Marijuana card holders. The printer is shared with DPHHS print services through DOA and direct costs to pay for this service have been included in assumption #6. If DOA does not continue to provide this service, or if DLI is required to purchase a laminating printer, estimated cost for the printer and startup supplies is \$25,000. This purchase would need to be made by the second year of the biennium. This figure is not included in the tables.
14. Revenue for the program would match the decrease in revenue in DPHHS and would have a net impact of \$0 to the state.
15. It is assumed that DLI will convert the DPHHS medical marijuana system to the application that serves the Business Standards Division in DLI.
16. It is estimated that this move will require 40 hours of database services from the DOA, State Information Technology Division for a cost \$4,280.
17. It is estimated that this move will require 1,524 hours of programming and project management by DLI at a cost of \$128,016.
18. It is assumed there would be enough database capacity within DLI's application with no additional costs for database hosting.

Department of Public Health and Human Services (DPHHS)

19. DPHHS would transfer 2.25 FTE and their related personnel services costs and operating expenses, including rent, travel, network connectivity, phones, supplies, etc.

	2016	2017	2018	2019
FTE	(2.25)	(2.25)	(2.25)	(2.25)
Personal Services	(\$108,322)	(\$108,072)	(\$109,693)	(\$111,339)
Operating Expenses	(\$79,551)	(\$79,551)	(\$80,744)	(\$81,955)
Total	(\$187,873)	(\$187,623)	(\$190,437)	(\$193,294)

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
FTE (DLI)	3.25	3.25	3.25	3.25
FTE (DPHHS)	(2.25)	(2.25)	(2.25)	(2.25)
<u>Expenditures:</u>				
Personal Services (DLI)	\$159,353	\$159,353	\$161,743	\$164,169
Personal Services (DPHHS)	(\$108,322)	(\$108,322)	(\$109,693)	(\$111,339)
Operating Expenses (DLI)	\$246,027	\$103,113	\$104,660	\$106,231
Operating Expenses (DPHHS)	(\$79,551)	(\$79,551)	(\$80,744)	(\$81,955)
TOTAL Expenditures	<u><u>\$217,507</u></u>	<u><u>\$74,593</u></u>	<u><u>\$75,966</u></u>	<u><u>\$77,106</u></u>
<u>Funding of Expenditures:</u>				
State Special Revenue (02) DLI	\$405,380	\$262,466	\$266,403	\$270,400
State Special Revenue (02) DPHHS	(\$187,873)	(\$187,873)	(\$190,437)	(\$193,294)
TOTAL Funding of Exp.	<u><u>\$217,507</u></u>	<u><u>\$74,593</u></u>	<u><u>\$75,966</u></u>	<u><u>\$77,106</u></u>
<u>Revenues:</u>				
State Special Revenue (02)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Revenues	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02) DLI	(\$405,380)	(\$262,466)	(\$266,403)	(\$270,400)
State Special Revenue (02) DPHHS	\$187,873	\$187,873	\$190,437	\$193,294

Technical Notes:

- The Department of Labor and Industry assumes they would run the program on the DPHHS oracle forms and reports program while they update rules and the their systems to accommodate the change.

Sponsor's Initials

Date

Budget Director's Initials

Date